Annual Report *1991 / 1992*

93-01982/

TABLE OF CONTENTS

MESSAGE FROM THE CHAIR

FROM THE DRIVER'S SEAT

IN THE LEAD VEHICLES

CAUTION, GAME DEVELOPMENT CREW WORKING

WINNERS' ROAD TO RICHES

RETAILERS' CONVOY

FINANCIAL STATEMENTS

CORPORATE INFORMATION

MESSAGE FROM THE CHAIR

British Columbia Lottery Corporation (BCLC) went the extra mile in 1992. With a game mix fine-tuned to spark added market interest, the Corporation drove home ticket receipts tallying $676 million. That's 12 percent more ground than was covered in the previous year.

Benefits to the community are far-reaching. The Corporation's record-breaking performance enabled a net revenue transfer of $219 million to the Government of British Columbia. That's 33 percent of every lottery dollar. Beyond that, 50 percent of the dollar was earmarked for return to lottery players in the form of prizes, 7 percent was paid out in retailer commissions and 2 percent was allocated for ticket printing. The remainder, 8 percent, covered operating expenses.

BREAKDOWN OF THE LOTTERY DOLLAR

PRIZES **50%**

REVENUE **33%**

OPERATIONS **8%**

COMMISSIONS **7%**

TICKET PRINTING **2%**

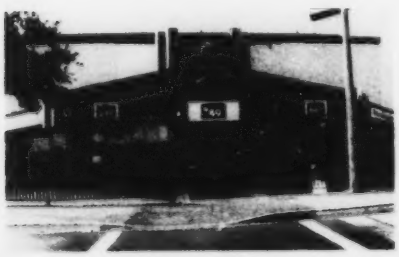
The allocations become all the more impressive when the Goods and Services Tax (GST) is considered. 1991 marked the first full year that the GST was applied to the lottery industry in Canada. Rather than reducing the payout on prizes, reducing retailer commissions or passing on the tax to lottery players in the form of higher ticket prices, BCLC reached an agreement with the federal government to allow it to absorb the tax instead. The GST was deducted from profits and administered by the Lottery Corporation on behalf of its retailers.

As a newcomer to the lottery industry, my eyes are wide open. There are 18 years of lottery history to observe from the rear-view mirror and an exciting new stretch of road to negotiate in the year ahead. Overall, I like what I see and am eager to travel the next mile.

Lotteries create wonderful opportunities for British Columbians, from prizes won to business generated to revenue realized. I'm proud to be part of an organization that contributes so much to its community. And I'm especially pleased to present the Corporation's 1992 Annual Report.

Head Office - Kamloops

Marketing Office - Richmond



Victoria Office

Chair, Cathy McGregor

The Lottery Corporation began paving the road for games of chance in British Columbia 18 years ago. Each year, more ground is covered. The 1992 fiscal year is no exception.

British Columbia Lottery Corporation (BCLC) closed the year with record sales of $676 million. The benefits of this 12 percent growth to British Columbians were a revenue return of $219 million and a prize return of $338 million.

Behind this high performance success was a strategy engineered to sustain growth of games with solid mass market appeal — Lotto and Instant — while improving the performance of secondary games (niche and social games). The strategy worked.

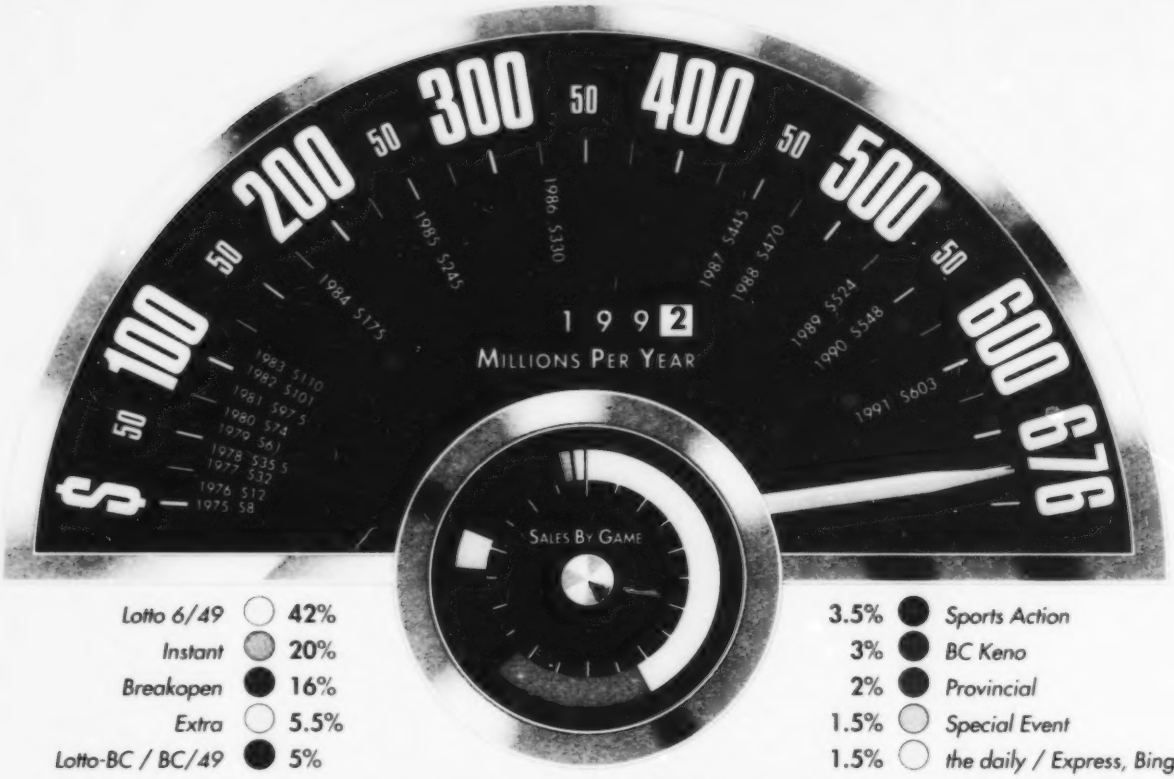
Taken together, the mass market Lotto mix, comprised of *Lotto 6/49*, *BC/49* (*Lotto-BC*) and *Extra*, recorded growth of 4.1 percent over the previous year. This gain's significance becomes all the more impressive when the trail blazer's performance is considered. Oversubscription on *Lotto 6/49* saw this "big Jackpot" game's sales decline 1.3 percent. There simply weren't enough Jackpot rolls to drive sales to a new high. The Jackpot rolled just 24 times as compared to 31 the year before.

The sales growth of mass market games is attributable to the transformation of *Lotto-BC* to *BC/49* and to the record performance of the "spiel" game *Extra*. *Lotto-BC* sales showed signs of slowing down. To revitalize the game before it came to a full stop, emergency repairs were made. Positive elements were maintained and new options were added. What emerged on January 26 was a 6 of 49 Lotto game that bucked trends worldwide — the little "Red" sister to the big "Blue" *Lotto 6/49* didn't offer the large Jackpots. A complementary game to *Lotto 6/49*, *BC/49* gave British Columbians the play features they had been asking for: a B.C.-only game at two plays for $1 with a $1 million Jackpot ($1 million being enough for anybody!). As anticipated, *BC/49* steered some dollars away from *Lotto 6/49* to produce the desired result — incremental growth of 16 percent in combined sales for *Lotto 6/49*, *BC/49* and *Extra* since the January launch of *BC/49*. The availability of *Extra* on both *Lotto 6/49* and *BC/49* boosted this game's sales 11.6 percent.

Sales of Instant games also accelerated. They climbed uphill 7.3 percent, thanks to a steady flow of innovative ticket designs. A total of 19 variations on the Instant game were played last year. Fifteen new themes were introduced and four top-sellers from the previous year, *Gold Rush*, *Blackjack*, *Crazy Eights* and *Joker's Wild*, were maintained. Card themes continued to be strong performers, representing over 35 percent of total Instant sales. The success of the $1 special occasion tickets such as *Happy Mother's Day* and *Happy Father's Day* also contributed to the Instant game sales increase as did the first $5 game — *Stocking Stuffer*. To add more variety to the Instant line-up, two summertime tickets, *Musical Spin* and *High Note*, were launched with cash and merchandise as prizes.

Niche games, comprised of nationwide passive and B.C.-only games, yielded a combined sales growth of 31.1 percent. Key performers within this mix were *the daily* and B.C.'s own sports lottery.

TOTAL LOTTERY SALES IN MILLIONS PER YEAR



SALES BY GAME AS A PERCENT OF 1992 SALES

Gains were realized through the overhaul of *Express*. On June 16, *Express* exited the freeway after seven years and on merged *the daily*. Although sales increased substantially, *the daily* is having difficulty surviving and may be next in bay for a tune-up.

The sports lottery was re-fitted once again in fiscal 1992. Launched on August 29, *Sports Action* hit the turbo boost and sped past its predecessor with sales seven times as great to firmly establish its standing in the niche game market. Growth potential for this game lies in planning some exciting new turns — additional sporting events and new ways to play. Combo Play is on the *Sports Action* road map for next year.

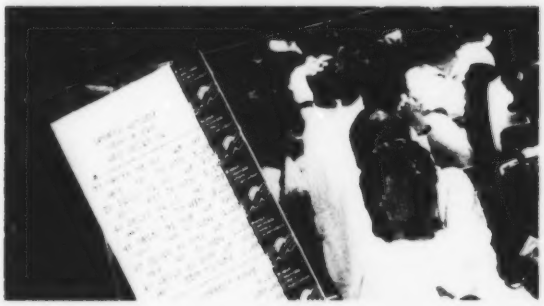
While some games accelerated, others shifted into lower gear. *BC Keno* managed to hold its own with very little roadside assistance. A seventh draw on Sunday was added for extra spark but the game still lost a little power; sales declined by 3.6 percent.

As elsewhere, passive games, regardless of promotional support, continued to sputter. *Provincial* and Special Event games showed respective sales declines of 26.9 percent and 9.9 percent.

The intersection between mass market and niche games is the bridge to future growth — social games. Social games are defined as games played in adult social settings and usually require a higher prize structure. The first vehicles to travel this bridge are the Breakopen games. Breakopen, with its foot to the floor, "broke" yet another record to end the year with a sales increase of 43.8 percent.

Around the Corner

The strategy behind this record-breaking year will continue into next year's stretch of road. BCLC will work to sustain the growth of Lotto and Instant and to improve the performance of secondary games. Beyond this, special emphasis will be placed on investigating the potential for social gaming within the province. To begin paving the way, the Breakopen network will expand, both in terms of number of locations and variety of games. And *Sports Action* will be added as a complement to the Breakopen game line-up in age-controlled environments. The Corporation is studying the performance of Player Operated Sales Terminals (POSTs) in other jurisdictions. POSTs and Electronic Bingo represent an opportunity to break from the age-old lottery on paper to the same games delivered via a technology in keeping with the new roads to success.



President, Guy Simonis

Vic Poleschuk - Vice President

Michelle McBride - Vice President

Barry Auliffe - Director, Marketing Support

Chuck Hamilton - Director, Retail Development

Rob Egan - Director, Information Systems

Doug Penrose - Director, Finance & Administration

Heather Brandon - Director, Employee Relations

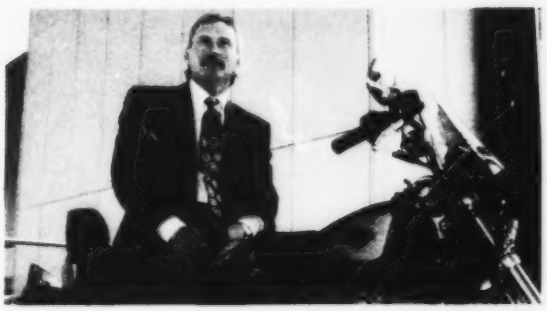
IN THE LEAD VEHICLES

Vic Poleschuk - Vice President

Michelle McBride - Vice President

Barry Auliffe - Director, Marketing Support

Chuck Hamilton - Director, Retail Development



Rob Egan - Director, Information Systems

Doug Penrose - Director, Finance & Administration

Heather Brandon - Director, Employee Relations

According to Mary, there are essentially five Instant game categories: base theme game, card theme game, ways to play, seasonal, and special occasion. A base theme game is one that has an appealing and wear-resistant theme. The play objective is usually match three identical prize amounts to win. In the base game category, it's the simplicity of the play method that appeals to the targeted segment of the Instant game market. Of course, adding a second play area gives extra spark to this impulse item.

A card game theme can be incorporated into the ticket design and play area. Consider *Blackjack* and *Royal Flush*. These Instant games are particularly appealing to people who enjoy playing cards and the fun is just beginning.

The ways to play category offers players more than one chance to win on the same ticket as with *Zodiac* and *High Note*. It's the chance to win twice on a ticket or in two ways that's this game category's main selling feature.

Then there are Instant tickets which are released in conjunction with an event or season. For example, *Lucky Money* was tied into the theme of the Chinese New Year while *Stocking Stuffer* and *Holly Dollars* were appropriate choices for the December holiday season.

Finally, there are Instant tickets geared specifically for a special occasion such as Valentine's Day, Mother's Day and Father's Day.

In addition to fueling the game categories with new and revisited products, the Instant Ticket Committee experiments with different prize structures and price points. "BCLC launched its first $5 game last year," says Mary. "Called *Stocking Stuffer*, the ticket was die-cut into the shape of a stocking and offered the largest top prize ever on an Instant game in British Columbia — $250,000. It also had the best chances of winning ever. The game was a huge success!"

Douglas Gooding of Nanaimo won the largest prize ever on an Instant ticket – $250,000 on Stocking Stuffer

"The next turn for the Committee is to take Instant games, as an entertainment form, into the future," says Mary. "BCLC is exploring the possibility of offering some of our existing and planned game designs for play on a video screen. This would not only reduce paper usage, it would add an exciting way-to-play option as well."

Whether they scratched and won instantly, saw their lucky numbers come up winners or correctly predicted the outcome of sporting events, lottery players found their way into the winners' circle more than 36 million times last year. They hit paydirt to the tune of $338 million in prizes.

The rain didn't put a damper on the spirits of Andy Andersen and Mudite Adams when they came into the Richmond Prize Payout office on January 9 — that's because they were claiming the largest lottery prize of the year, $5.9 million.

Mudite, 45, had dropped by her neighbourhood Safeway store to pick up her usual *Lotto 6/49* tickets, two Quick Picks with the *Extra*. The Vancouver couple missed watching the televised draw Wednesday as they were out for dinner. What they missed was the making of millions, their millions — $5,938,327.70 to be exact.

At the time of the win, the couple had talked about buying a new houseboat and a new car. In addition, Andy had plans for "restoring his old Jaguar." Did they follow through? Yes. Travel plans made before hitting the Jackpot were kept. "We visited my parents in Arizona as we had planned," said Andy, 47. "The only difference was that we were able to buy them a new motorhome and we flew down Mudite's parents as well to make it a real family celebration."

As for the houseboat and cars? "We bought a new luxury cruiser and four vehicles — two new and two antique. And the old Jaguar is finally being restored," said Andy.

The couple's biggest surprise was the attitude of their four children. "It's almost as if nothing has changed," Mudite said. "The children are continuing on with their education and plans just as before."

Mudite Adams and Andy Andersen, with daughters Kirsten and Teena, drove away with the year's largest prize – $5.9 million

Has the win changed their lives? "We haven't changed at all," said Mudite. "The win has, however, given us the chance to fulfill most of our dreams. We're able to do the things that we wouldn't normally have done." The couple's new home is more comfortable and their work schedules are a lot more flexible. "We're no longer confined to a nine to five work day," said Mudite.

The Vancouver family's love for the road has led to the beginning of an impressive car collection

Thirteen may be an unlucky number for some people, but not for a group of air traffic controllers and their spouses. Their 13-way split on a *BC/49* selection gave wing to the game's first $1 million prize claim.

BC/49 generated million dollar smiles for the Lloyd Jenkins group

The group's Lucky Dip ticket matched all six numbers drawn on March 14 to win the grand prize. Sharing the $1 million were Lloyd and Susan Jenkins of White Rock, Doug and Debbie White of Richmond, Mike and Maxine Giovinazzo of Surrey, Fred and Donna Kroon of Delta, Ken and Norma Smiley of Aldergrove, Grant and Charlene Wallis of Coquitlam, and Kimberly Marshall of Vancouver.

Each of the lucky winners received $71,428.57 except for Kimberly, whose $2 contribution gave her two shares totalling $142,857.14.

As with most groups, plans for the winnings varied from one member to the next. This group, with their ideas for mortgage paydowns, new cars, ski boats, houses and vacations, was no exception.

Lorne Schwindt got a lot of mileage out of his winning *Sports Action* ticket. By correctly predicting the outcome of five sporting events on his ticket, Schwindt flagged the largest *Sports Action* win of the year, a prize cheque in the amount of $67,256.10.

Lorne Schwindt of Maple Ridge scored a $67,000 touchdown on Sports Action

Lorne made the big play when he wagered that three American football games and two hockey games played November 3 would end in ties. The Maple Ridge resident watched the football games in amazement; all three ended as he'd predicted. Then, later that night, the sports fan's attention turned to hockey as he was only one tie game away from winning. "When I heard the last game was in overtime, I did a lot of pacing," said Lorne. "I kept phoning the radio stations to confirm a final score."

When Lorne heard the result, he knew he'd won big. "I knew my picks were long shots," said Lorne, 54. "I never really expected to win. I just couldn't believe it."

At the time of his win, Lorne and his wife Barbara had plans to buy a new home with their windfall.

The dream of joining the millionaires' club became a reality for these lottery winners in 1992:

BRITISH COLUMBIA MILLIONAIRES' CLUB

BANGAY, JACK
Victoria, B.C.

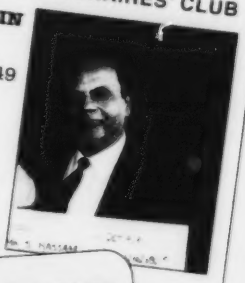
$4 million - Lotto 6/49
October 23

RESTRICTIONS

BRITISH COLUMBIA MILLIONAIRES' CLUB

KASSAM, SHAMSUDIN
Richmond, B.C.

$2.6 million - Lotto 6/49
October 5



RESTRICTIONS

BRITISH COLUMBIA MILLIONAIRES' CLUB

HOFFMAN, ALEX
Mackenzie, B.C.

$2.3 million - Lotto 6/49
November 27

RESTRICTIONS

BRITISH COLUMBIA MILLIONAIRES' CLUB

REID, HAYLEY
Fort St. James, B.C.

$2.1 million - Lotto 6/49
September 25

RESTRICTIONS

BRITISH COLUMBIA MILLIONAIRES' CLUB

SHEPARD, WILLIAM
WOODSIDE, TAMMY
Kelowna, B.C.

$1.8 million - Lotto 6/49
November 13

RESTRICTIONS

BRITISH COLUMBIA MILLIONAIRES' CLUB

WANG, ALEXANDER
Burnaby, B.C.

$1.7 million - Lotto 6/49
July 27

RESTRICTIONS

BRITISH COLUMBIA MILLIONAIRES' CLUB

MAKOWICHUCK, VICTOR
Courtenay, B.C.

$1.3 million - Lotto 6/49
August 28

RESTRICTIONS

BRITISH COLUMBIA MILLIONAIRES' CLUB

SMITH, ROBIN
SMITH, SUZANNE
Vancouver, B.C.

$1.3 million - Lotto 6/49
January 11

RESTRICTIONS

BRITISH COLUMBIA MILLIONAIRES' CLUB

MORRISON, THOMAS
MORRISON, ELIZABETH
Kelowna, B.C.

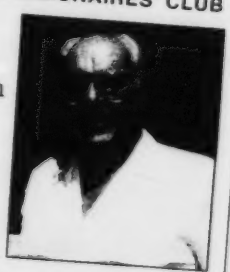
$1.3 million - Lotto 6/49
August 28

RESTRICTIONS

BRITISH COLUMBIA MILLIONAIRES' CLUB

LAUGLIN, BILL
Texas

$1 million - Celebration '91
July 1



RESTRICTIONS

The 2,500 lottery retailers in British Columbia play a key role in the continued success of BCLC — they sell lottery tickets, provide game information, answer lottery related questions, validate winning tickets for players and pay out prizes (up to $1,000) to winners all over the province's map. In return for their services, they receive a commission. Last year, retailers received shared commissions totalling over $37 million, an average additional income of $15,000 each for lottery sales.

As retailers and BCLC travel the same road, regular diagnostic checks are conducted to make sure the tandem is in sync. Last year's check-up was a week-end-long conference. Held at the Vancouver Trade and Convention Centre October 18 to 20, Lotto '91 brought 500 retailers from across the province together with lottery officials and suppliers.

Two-way street

Retailers participated in various presentations throughout the jam-packed weekend. Presentation topics included customer service, security, designing a new Instant game, promotions, advertising and more. An exhibit hall full of displays and booths gave retailers the chance to meet the many resources who help them do their jobs — from Hotline staff who solve retailers' technical problems to Pollard Banknote Security Printers who print the Corporation's tickets.

Several outstanding retailers received awards in recognition for their contribution to the success of lotteries in British Columbia.

The lottery show, Lotto Night in BC, made a detour from the BCTV studios and was broadcast live from the Vancouver Trade and Convention Centre.

There were no obstructions to block the flow of information between retailers and the Corporation — it was a two-way street. Lottery retailers met face-to-face with BCLC President Guy Simonis to ask questions, raise concerns and offer suggestions for improving the relationship. "It was great to talk to so many other retailers and lottery staff and see that we share the same problems and solutions," commented one retailer.

The Forum was so well received that retailers and BCLC are looking ahead to Lotto '92 next year.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED STATEMENT OF CHANGES IN AMOUNTS DUE TO THE PROVINCE OF BRITISH COLUMBIA

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT

CORPORATE INFORMATION

CONSOLIDATED BALANCE SHEET

March 31, 1992, with comparative figures for 1991 (in thousands of dollars)

	1991/92	1990/91
ASSETS		
Cash:		
Prize Funds	$ 36,857	$ 31,791
Other	10,973	15,187
Receivables (note 3)	13,731	12,063
Prepaid expenses	3,665	2,940
Fixed assets (note 4)	8,215	7,853
	$ 73,441	**$ 69,834**
LIABILITIES		
Prizes payable	$ 36,857	$ 31,791
Payable to Interprovincial Lottery Corporation	5,004	7,202
Accounts payable and accrued liabilities	5,826	5,829
Deferred revenue	-	3,715
Long-term debt (note 5)	5,204	5,245
Due to Government of Canada	-	1,430
Due to Province of British Columbia	20,550	14,622
Share capital (note 6)	-	-
	$ 73,441	**$ 69,834**

See accompanying notes to consolidated financial statements.

Approved:

Cathy McGregor

Director

Director

CONSOLIDATED STATEMENT OF INCOME

Year ended March 31, 1992, with comparative figures for 1991 (in thousands of dollars)	1991/92	1990/91
Sales (note 7)	$ 676,411	$ 603,297
Direct Expenses:		
Prizes	337,791	293,967
Retailer commissions	37,627	33,777
Ticket printing and Bingo Paper	13,883	14,988
Payments to Community Group Licensees (note 8)	8,562	2,178
	397,863	344,910
Sales less direct expenses	278,548	258,387
Operating Expenses:		
Data processing and network	13,099	11,708
Depreciation	4,071	2,829
Advertising, Draws and Promotions	14,711	14,851
Sales	5,207	4,725
Administration	13,922	12,586
Goods and Services Tax	8,515	2,213
Less: Interest and other income	(5,820)	(7,959)
	53,705	40,953
Net income	**$ 224,843**	**$ 217,434**
Allocation of net income:		
Province of British Columbia	$ 219,032	$ 205,308
Government of Canada (note 9)	5,811	5,520
Paid on behalf of the Province of British Columbia	-	6,606
	$ 224,843	**$ 217,434**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN AMOUNTS DUE TO PROVINCE OF BRITISH COLUMBIA

Year ended March 31, 1992, with comparative figures for 1991 (in thousands of dollars)	1991/92	1990/91
Balance, beginning of year	$ 14,622	$ 13,988
Net income	224,843	217,434
	239,465	231,422
Payments to Province of British Columbia	213,104	211,280
Payments to Government of Canada	5,811	5,520
	218,915	216,800
Due to Province of British Columbia	**$ 20,550**	**$ 14,622**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended March 31, 1992, with comparative figures for 1991 (in thousands of dollars)	1991/92	1990/91
CASH PROVIDED BY (USED IN):		
Operations:		
Net income	$ 224,843	$ 217,434
Depreciation, which does not involve cash	4,071	2,829
	228,914	220,263
Change in non-cash operating items:		
Receivables	(1,668)	182
Prepaid expenses	(725)	(149)
Prizes payable	5,066	4,074
Payable to Interprovincial Lottery Corporation	(2,198)	946
Accounts payable and accrued liabilities	(3)	742
Deferred revenue	(3,715)	440
Due to Government of Canada	(1,430)	1,430
	224,241	227,928
Financing:		
Payments to Province of British Columbia	(213,104)	(211,280)
Payments to Government of Canada	(5,811)	(5,520)
Reduction of long-term debt	(41)	(37)
	(218,956)	(216,837)
Investments:		
Additions to fixed assets	(4,433)	(2,797)
	(4,433)	(2,797)
Increase in cash	852	8,294
Cash, beginning of year	46,978	38,684
Cash, end of year	**$ 47,830**	**$ 46,978**

See accompanying notes to consolidated financial statements.

Year ended March 31, 1992

1. NATURE OF THE CORPORATION:

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada.

the daily, Instant, *BC/49*, *BC Keno*, *Extra*, *Sports Action* and Breakopen games are conducted solely by the Corporation in the Province of British Columbia. In addition, the Corporation is the sole distributor of Bingo Paper in the Province of British Columbia.

The Corporation is the regional marketing organization for the *Provincial*, *Lotto 6/49* and Special Event games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

(a) Consolidation:

The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(b) Fixed assets:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased, will be capitalized. These purchases include the cost of Kamloops office building, leasehold improvements, furniture and equipment for the Corporation's offices in Kamloops, Richmond and Victoria, major computer equipment purchases, all on-line gaming terminals, all components of the Corporation's sign and fixture program for placement at the on-line game retailers' locations and corporate owned kiosks.

Capital purchases:

The Corporation's capital assets are recorded at their original cost and are depreciated on a straight-line basis according to their estimated useful lives, as follows:

Asset	*Rate*	*Asset*	*Rate*
Kamloops office building	5 years	On-line gaming terminals	3 years
Leasehold improvements	5 years	Signs and fixtures:	
Furniture and equipment	5 years	Computer	3 years
Computer equipment	3 years	Non-computer	5 years

(c) Free tickets:

Sales are reduced by the retail value of free tickets redeemed by the retailers.

(d) Revenue recognition:

Revenue and expenses relating to draws held during the year ended March 31, 1992, are included in the statement of income on an accrual basis. Receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1992, are included in the statement of income in the period the ticket is sold. The associated selling costs and prize expenses are also included in the statement of income in the period the ticket is sold.

(e) Prize expenses:

The Corporation provides for prize expenses at approximately 50% of sales for all British Columbia games to fund expected prize payouts.

All unclaimed prizes from British Columbia lottery games are retained in a prize fund for one year from the announced date of the draw. Unclaimed prizes remaining after the one year claiming period are used for bonus prizes and bonus draw promotions in subsequent draws.

Prize expenses for Interprovincial Lottery Corporation games are British Columbia's proportionate share of prizes funded which is based on the number of tickets sold.

(f) Change in accounting policy:

During the year, the Corporation changed its revenue recognition policy from deferring revenue and associated costs for sales which relate to draws subsequent to the year end to recording revenue for the sale of tickets at the time the sale is made. This change in accounting policy has not been applied retroactively due to the immateriality of the amount in question.

Year ended March 31, 1992

3. RECEIVABLES (in thousands of dollars):

	1991/92	1990/91
Retailers	$ 12,559	$ 11,365
Other	1,172	698
	$ 13,731	**$ 12,063**

4. FIXED ASSETS (in thousands of dollars):

			1991/92	1990/91
	Cost	Accumulated Depreciation	Net	Net
On-line gaming terminals	$ 16,974	$ 15,737	$ 1,237	$ -
Central system computer hardware	12,619	10,508	2,111	1,503
Land	700	-	700	700
Building and leasehold improvements	17,500	13,580	3,920	5,571
Furniture and equipment	2,946	2,833	113	63
Signs and fixtures	3,039	2,905	134	16
	$ 53,778	**$ 45,563**	**$ 8,215**	**$ 7,853**

Year ended March 31, 1992

5. LONG-TERM DEBT (in thousands of dollars):	1991/92	1990/91
Crown Life Insurance Company Mortgage, payable in monthly instalments of $48,301 including interest at 10.625%, secured by building, due April 1, 1992.	**$ 5,204**	**$ 5,245**

Subsequent to March 31, 1992, the Corporation refinanced the long-term debt with the CIBC Mortgage Corporation. The mortgage is secured by the Kamloops property and a general assignment of rental income. The mortgage bears interest at 9.14% and is due June 1, 1997.

Principal payments due within each of the next five years are approximately as follows:

1993	$172,000	1996	$225,000
1994	$188,000	1997	$4,413,000
1995	$206,000		

6. SHARE CAPITAL:

Authorized: 10,000 common shares without par value
Issued: 1 common share for $1.00

7. SALES (in thousands of dollars):	1991/92	1990/91
Nationwide games		
Lotto 6/49	$ 286,143	$ 289,873
Provincial	12,410	16,968
Special Event	11,370	12,625
	$ 309,923	**$ 319,466**
British Columbia Games:		
Instant	136,363	127,081
Breakopen	108,052	75,164
Extra	35,799	32,071
Sports Action	23,372	2,815
BC Keno	20,613	21,373
BC/49	18,090	-
Lotto-BC	15,267	19,525
the daily	4,622	-
Express	247	1,606
	362,425	279,635
Bingo Paper	4,063	4,196
	366,488	283,831
	$ 676,411	**$ 603,297**

Year ended March 31, 1992

8. PAYMENTS TO COMMUNITY GROUP LICENSEES:

During the year the Corporation made payments of $8,562,000 (1991 - $2,178,000) to Community Group Licensees under the Breakopen Lottery Ticket Program.

On February 14, 1992, the provincial government placed a moratorium on the program, wherein payments to Community Group Licensees ceased, and on March 12, 1992, announced the cancellation of the program.

9. PAYMENTS TO GOVERNMENT OF CANADA:

The Interprovincial Lottery Corporation makes inflation adjusted payments to the Government of Canada as a result of an agreement between the Provincial Governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to the Interprovincial Lottery Corporation. Payments under this agreement are estimated to be $6,100,000 for the next fiscal year ending March 31, 1993.

10. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE:

Interprovincial Lottery Corporation prize costs and ticket printing are recognized in the appropriate category of direct expenses. The net operating rebate which includes the Corporation's share of the Interprovincial Lottery Corporation's interest revenues less operating expenses is included in interest and other income. The net operating rebate from the Interprovincial Lottery Corporation was $182,736 for the year ended March 31, 1992 (1991 - $511,000).

11. LEASE OBLIGATIONS:

Long-term office space leases will expire as follows:

Richmond	April 30, 1995	Victoria	June 30, 1994

Aggregate minimum annual rental payments to the end of the lease terms are approximately as follows:

1992 - 1993	$578,000	1994 - 1995	$518,000
1993 - 1994	$578,000	1995 - 1996	$42,000

Future aggregate minimum rental payments to the expiry dates amount to approximately $1,716,000 (1991 - $2,335,000).

12. PENSION PLAN:

The market value of pension plan assets is approximately $6,452,000 and estimated liabilities are approximately $5,823,600. The latest available actuarial valuation of the pension plan was performed as at March 31, 1991. The valuation revealed that the plan has a funding excess of $628,000 as at March 31, 1991.

13. COMMITMENTS:

Purchase of Lottery Terminals:

During the year the Corporation entered into an agreement for the purchase of 2,280 lottery terminals for a total contract price of $14.9 million. At March 31, 1992, 2,233 terminals are still to be delivered under the contract. The Corporation is committed to $13.1 million with respect to the undelivered terminals.

14. COMPARATIVE FIGURES:

Certain 1991 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

AUDITORS' REPORT

TO THE DIRECTORS OF BRITISH COLUMBIA LOTTERY CORPORATION

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 1992, and the consolidated statements of income, changes in amounts due to the Province of British Columbia, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1992, and the results of its operations and the changes in amounts due to the Province of British Columbia and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Peat Marwick Thorne
Chartered Accountants

Kamloops, Canada
May 26, 1992

CORPORATE INFORMATION

British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984. It is a Crown Corporation of the Province of British Columbia. Its Board Members as at March 27, 1992, include: Cathy McGregor, Chair (Kamloops); Patrick Chen, Director (Vancouver); Jill E. Davidson, Director (Vancouver); A. George Des Brisay, Director (Vancouver); Richard J. Thomas, Director (Richmond); Dianne M. Tingey, Director (North Vancouver); Anne Jeffrey, Director (Prince George).

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada. For more information on lotteries, call or write one of the following:

HEAD OFFICE

74 West Seymour Street
Kamloops, British Columbia V2C 1E2
Telephone: (604) 828-5500

RICHMOND

10760 Shellbridge Way
Richmond, British Columbia V6X 3H1
Telephone: (604) 270-0649

VICTORIA

770 Hillside Avenue
Victoria, British Columbia V8T 1Z6
Telephone: (604) 383-4433